No comment on the table for boots and shoes is necessary, except to call attention to the footnote (note 98, p. 485 of my discussion) which was apparently overlooked.

The earlier and recent statistics for this industry are not fairly comparable for they cover the period of the transition to the factory system. In 1860 this transition was still in progress and the census for that year says. "Although of quite recent introduction in this branch of industry, its [the sewing machine's] employment is gradually bringing about a silent revolution in the boot and shoe manufactures, which is daily assuming the characteristics of a factory system" ("Manufactures," *Eighth Census*, p. lxxi).

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WASHINGTON NOTES

MONEY AND BANKING
RECIPROCITY
FOREIGN COMMERCE
WORK OF THE INTERSTATE COMMERCE COMMISSION
PROBABLE LEGISLATION

The advent of a panic in the midst of prosperous business conditions is a development that has been anticipated for some time by many persons but not forecast by any in precisely the form in which it has appeared. Bank reports rendered to the comptroller of the currency for September 17 last indicated conditions rather more favorable than those which had previously existed so far as reserves were concerned. There was little evidence to suggest the approach of panic conditions except unofficial information occasionally received at the Treasury Department and indicating the existence of serious stress among borrowers. In many cases, even legitimate business firms of high standing seemed to have much difficulty in getting the requisite renewals and fresh loans even for the most necessary purposes, and when they were granted it was only at relatively high rates of interest. On October 15 the first serious trouble made its appearance in connection with a New York bank which had fallen under the control of copper speculators.

In coming to the relief of the market Secretary Cortelyou of the Treasury Department found himself severely handicapped. When Secretary Shaw turned over the department to Mr. Cortelyou, he left a substantial sum in hand but the bulk of the surplus,

carried on the statement under the somewhat misleading name of "available cash balance," was parceled out among more than thirteen hundred banks. Although the facts as to these depositaries have never been published, officially or otherwise, it is a fact that the depository banks have been chosen without any system or principle of selection. Many of them are banks with not more than $25,000 of capital. In very many cases, however, the banks had been given by Mr. Shaw deposits of government funds aggregating an amount equal to their whole capital stock. These had been used to support a large volume of local credits under the practical assurance that they would not be called unless there should be urgent need, and then only on long notice. When Secretary Cortelyou assumed charge of the Department, he did so with the intention of altering the deposit policy very profoundly. One main reason for the transfer of the Department from Mr. Shaw to his successor was in fact to divorce it from Wall Street, and thus to check the habit of dabbling in private business enterprises. The coming-on of the March panic put the immediate application of this plan out of the question, but Secretary Cortelyou recurred to it as soon as possible. His main object was to provide a means of getting the surplus out of the treasury and into the hands of the banks by regular methods of procedure. To decide upon a future policy the secretary appointed a committee consisting of several of the abler departmental officers. This was to consider some way of disposing of the deposits among the different banks. The committee was also to inquire whether there was any means of avoiding the necessity of taking cash out of bank vaults and transferring it to the subtreasury at New York in order to pay customs dues. This was found difficult partly as a result of legal obstacles to action of the kind contemplated, and partly owing to a desire not to attempt modification of the principles upon which the currency and Treasury system now in operation is founded. Secretary Cortelyou in dealing with the more immediate problems undertook three distinct plans. He attempted to call in about $30,000,000 of deposits after July 1, and did actually succeed in getting the banks to give up $26,000,000, these being funds which Mr. Shaw had proposed to withdraw some months previously but had been unable to secure. He announced that he would make no attempt to issue Panama bonds but would pay out money on Panama account from the general balance with the reserved privilege of issuing the bonds in case funds were needed at

a later date. Finally, he undertook, during the last week in August, to begin a five weeks' deposit period. This latter measure was intended to place funds with the banks against crop-moving necessities. It differed from the plans of Secretary Shaw in that no announcement was made of the places where the money was to be located and that nothing was said of the aggregate amount of the sums thus to be disbursed.

Very little of the cash thus released went to New York or any other of the large cities. At the opening of the deposit period the department had with the banks "to the credit of the treasurer of the United States" in round numbers about $143,000,000. The deposit plan was continued during the five weeks promised and, as the daily statements show, resulted in the release of about $23,000,000 in all, leaving the bank deposits at a round $166,000,000 on October 20. After deducting all liabilities, the free balance of the department, represented by actual cash in hand, was then about $54,000,000. The Treasury Department had expected that the banks would pass through the fall stringency growing out of crop-moving necessities with but little additional aid, and in fact, on October 21, department officers expressed the opinion that the worst of the stringency was over. On the twenty-first, however, lack of public confidence in the Knickerbocker Trust Company of New York led to a run on that institution with the result that the secretary of the treasury was obliged to go to New York for the purpose of assisting in quieting the financial situation. During his stay in the city, he released about $35,000,000 of treasury money, ordering it transferred to the banks direct from the subtreasury. In determining the security for these deposits, the precedent established by Secretary Shaw was followed, and the new bonds accepted have been largely chosen from among municipal and railroad issues of the better class. This was followed by deposits in a number of other principal cities, notably Pittsburg, New Orleans, Chicago, and last in St. Paul and Minneapolis. Some of the troublesome treasury restrictions surrounding the payment of cash into the department were more or less relaxed and every effort was made to secure a favorable distribution of funds for the purpose of facilitating the movement of goods abroad and thereby creating a balance of gold on which to draw. The result was the reduction of the treasury balance to probably the lowest point it has ever reached—the free cash standing at only $8,000,000 on November 5, while of the bonds

called in by the secretary on the first of July there were still some $5,000,000 outstanding as a charge against even this small balance, since they were redeemable on presentation.

Banking conditions have been unfavorable to the arrest of the crisis. The hopeless rigidity of the bank-note currency has been exemplified in a way that has often been suggested before though never with the same pointed character as at present. The note currency stood at about $556,000,000 at the time of the bank report on September 17, but increased only about $6,000,000 during the rest of that month and the whole of October, notwithstanding the intense demand for circulating medium. When the panic broke out in severe form, there was a rush for notes. National bonds have, as usual, been unavailable. Although about $872,000,000 of bonds are nominally in existence, while only about $665,000,000 were on deposit with the treasury behind national banknotes and as security for deposits, there has apparently been no possibility of drawing on the rest of the stock either by purchase or by borrowing. The chief means of getting out more notes has seemed to be that of permitting the transfer of bonds from behind the deposits to circulation account, the place of those transferred being taken by additional state, municipal, and railroad bonds. Permission to adopt the latter plan was given by Secretary Cortelyou in pursuance of the methods followed by his predecessor on like occasions. As a result, about $10,000,000 of new notes were forced out during the first ten days of November. This slight increase took place only through the most strenuous effort on the part of officials and the most ingenious combinations among the banks—those which already had their maximum issue outstanding lending any surplus national bonds they might have on deposit behind public funds to others whose maximum was not yet taken up but which were willing to supply the outside bonds needed as substitutes for those borrowed from the deposit account. The maximum amount of aid which can be gained, all told, by carrying this process of transfer to the extreme possible under existing conditions has been estimated at about $40,000,000 or some 8 per cent. of the total outstanding circulation already secured by bonds.

The obvious inability of the banks to help themselves through note issue and their necessity of relying solely on treasury aid has led to a revival of the currency plans suggested during last winter's session prior to the passage of the Aldrich Act. That act is now

generally admitted to have been a failure, and has been instrumental in nothing more than embarrassment to the Treasury Department. It is not yet clear what will be the nature of the currency scheme to be passed at the coming session, if any, but there are three distinct proposals each of which has a considerable body of support: (1) The adoption of a scheme analogous to the modified asset currency plan suggested by the joint committee representing the Chamber of Commerce of New York and the American Bankers' Association last winter; (2) Provision for an "emergency currency" based on the deposit of state, county, municipal, and railroad bonds with the department on the same principles which now govern in the issue of national bank notes based on national bonds; (3) The establishment of some system for government deposits in banks under conditions designed to afford relief to the market in time of stringency. The general question of security behind the deposits in banks is also up for general discussion, and there is more favor than heretofore for the idea of doing away with the requirement of bond deposits behind the funds left with the banks by the treasury. On the other hand there is a growing belief that a small rate of interest on public deposits should be exacted by the government. The idea of a large central institution like the early bank of the United States has gained little ground.

Since the promulgation of the German reciprocity agreement last July several radical transformations have been introduced into the situation heretofore existing under the Dingley tariff. The treasury has ordered the establishment of open hearings in customs cases, the acceptance of evidence furnished by chambers of commerce abroad with reference to the valuation of the goods for the assessment of duty, and the acceptance of export prices in cases where goods exported from foreign countries have no local market price owing to the fact that they are not sold in the country of origin or are sold only in limited quantities insufficient to constitute a market price for them. In applying the terms of the agreement with Germany, the State Department has found it inexpedient to advise the recognition of any difference between Germany and other countries. This has led to the adoption of the open-hearing system in customs cases before the board of general appraisers not only where German goods are under discussion but also where any other goods are offered for importation into the United States. Moreover, practi-

cally all the principal commercial countries of Europe—including France, Italy, England, Holland, and Hungary—have been given the same recognition for their chambers of commerce that has been granted to the certificates issued by the German chambers. There has been some apparent effect from this agreement in stimulating the importation of commodities from Germany into the United States, as may be seen from the following tables which exhibit the principal classes of goods exported to this country by Germany.

Because of the growth of trade under the commercial agreement, limited as it is, and because of the opening of formal reciprocity negotiations with France, the protectionist party has taken alarm. The agreement entered into with Germany provides further, (1) for action by our executive recommending to Congress the adoption of certain amendments to the customs administrative act of 1890, and (2) the transmission to the Senate of a complete reciprocity treaty establishing a general 20 per cent. reduction of duty on all goods entering this country from Germany. This is in consideration of certain special concessions to be granted to our goods when exported to that country. This, even more than the increasing trade with Germany that has already taken place, has proved a source of alarm to the protectionists. In consequence, there has been a material growth of opposition which so far alarmed the administration as to lead to the sending of a second tariff commission from this country to Europe. That commission started on September 17 and was absent some six weeks, returning about November 9. It consisted entirely of treasury officers, including Assistant Secretary J. B. Reynolds and General Appraisers Waite and DeVries. Its work has been nominally to gather data relative to the work of chambers of commerce in the countries visited, but really to collect information to be used in the coming congressional struggle over the reciprocity arrangement with Germany.

TABLE I

TOTAL COMMERCE OF THE UNITED STATES WITH GERMANY IN THE MONTHS OF JULY, AUGUST, AND SEPTEMBER, 1903 TO 1907

July, August, and September	Imports from Germany	Exports to Germany
1903	$30,996,789	$33,016,659
1904	32,322,827	35,174,125
1905	34,207,897	49,508,211
1906	38,278,453	46,028,390
1907	43,844,495	50,307,064

TABLE II

IMPORTS OF PRINCIPAL ARTICLES FROM GERMANY INTO THE UNITED STATES DURING JULY, AUGUST, AND SEPTEMBER

Articles	July, August, and September	
	1906	1907
Art works, free and dutiable....................dolls..	53,439	31,899
Automobiles, dutiable..........................nos..	23	12
Books, free and dutiable.......................dolls..	515,346	446,802
Cement, Roman, Portland, etc., dutiable...........lbs..	83,760,965	74,410,186
Coal-tar colors and dyes, dutiable................dolls..	916,843	1,153,310
Copper pigs, bars, ingots, etc., free.................lbs..	983,396	1,589,048
Cotton cloths, dutiable.......................sq. yds..	976,608	1,021,403
Cotton knit goods, dutiable.....................dolls..	1,870,122	2,292,836
Cotton laces, edgings, etc., dutiable.............. dolls..	1,676,560	1,629,036
Diamonds, cut, but not set, dutiable.............dolls..	37,418	31,609
Other precious stones, cut, but not set, dutiable...dolls..	222,330	332,205
Earthen, stone, and china ware, dutiable.........dolls..	1,622,343	1,861,418
Fabrics, woven, known as "linens," etc., dutia. sq. yds..	2,876,683	2,782,852
Furs and fur skins, undressed, free..............dolls..	733,881	770,460
Furs, and manufactures of, dutiable.............dolls..	867,957	735,636
Goatskins, free.................................lbs..	198,105	86,955
Hides of cattle, dutiable.........................lbs..	551,398	551,007
India rubber, crude, free.........................lbs..	813,034	970,041
Pig iron, dutiable..............................tons..	8,687	2,093
Gloves, of kid or other leather, dutiable..........dolls..	1,001,654	1,121,087
Cheese, dutiable................................lbs..	67,296	64,971
Paper, and manufactures of, dutiable............dolls..	1,522,922	2,473,507
Silk, manufactures of, dutiable..................dolls..	2,154,443	2,785,154
Spirits, distilled, dutiable....................pf. galls..	32,469	68,700
Champaign and other sparkling wines, dutiable. doz. qts..	1,747	2,161
Still wines, dutiable...........................dolls..	224,353	253,249
Tobacco leaf, wrapper, dutiable..................lbs..	351,980	4,425
Tobacco leaf, other, dutiable.....................lbs..	379,988	363,089
Toys, dutiable.................................dolls..	2,337,280	2,995,623
Wood pulp, dutiable............................tons..	2,462	10,299
Wool, class 3, carpet, dutiable....................lbs..	276,617	436,325
Wool cloths, dutiable............................lbs..	601,184	711,919
Wool dress goods, dutiable...................sq. yds..	2,643,405	3,469,710

Few people now think that there will be any further progress in the German matter this winter. The time will be spent in discussion and whatever is done by way of real work on the question will have to come as a result of an understanding attained through the incorporation of some planks into the Republican national platform. Protectionists will resist the accomplishment of anything more in the direction of further understanding with Germany. They anticipated, however, that there will be a general tariff discussion bearing directly on the question of reciprocity as brought on by the German tariff incident. In close connection with this, there will be an effort to secure the appointment of a tariff commission. The form which this

latter project will take is that of a permanent commission, with administrative authority solely, directed to spend its time in preparing revisions of antiquated schedules, recommending rearrangements of duty, and in general aiding Congress by preparing outlines of tariff legislation for its use. Several influential associations of manufacturers have urged this plan upon the President and it is expected that the idea will have his support; at least tacitly. Congress has, however, already shown a dislike of the plan and it is probable that no serious attention will be paid to it. The discussion will merely afford an opportunity of threshing out the general question of revision. If nothing is done on the latter topic the Republican leaders are pledged to force the subject forward in the nominating convention next summer.

An interesting plan for the advancement of American foreign commerce has been set on foot by the Department of Commerce and Labor. This promises to have some useful results in discussion of the situation now existing, if no others. Secretary Straus has called a convention of chambers of commerce to meet early in December, the idea being if possible to perfect an organization which may bear some such relation to the government as is borne by the German chambers of commerce which have figured so largely in the recent reciprocity negotiations. He has also secured a report on the question of modes of promoting commerce in vogue in other countries (written by N. I. Stone, published by the Department of Commerce and Labor) with the intention of ascertaining how far they may be applicable to the conditions surrounding our own government. Three plans are in hand: (1) Congress will be asked to increase the corps of special agents now in the service of the Department for the investigation of foreign commerce and to institute a service of commercial attachés. The latter officers would be stationed in foreign places for the purpose of studying business and commercial methods in the same way that these subjects are now dealt with by similar officers in the service of European countries. (2) In order to consolidate the administration of the new service it is planned to create a bureau of commerce in the Department of Commerce and Labor. This bureau would supersede the existing bureau of statistics (formerly in the Treasury Department) and the so-called bureau of manufactures organized a few years ago nominally for the advancement of the export trade

of the United States. Such a suggestion is the outcome of investigations which have been made during the autumn by a departmental committee assisted by three outside experts. (3) A study of the tariff schedules is to be undertaken, if not by tariff commission, then through the tariff experts of the Department of Commerce and Labor with a view of adjusting the schedules to modern conditions. The object is to bring about a closer relationship between the work of our consuls abroad and the administration of the tariff at home. If the tariff schedules were properly framed it would be practicable to require our consuls to insist that exported goods be invoiced by number and paragraph. The result would be an immense reduction in the amount of customs controversy before the courts and the Board of General Appraisers. It would also be possible to ascertain the conditions of competition much more closely and to know with certainty what quantity of goods is annually imported as compared with the domestic production. Somewhat the same methods could be applied to the export trade of the United States. In carrying out this plan, it is hoped to recast our present commercial statistics, and to bring them into accord with the figures of foreign countries, abandoning the protectionist prejudices which have thrown the figures into their present anomalous shape.

The work of the Interstate Commerce Commission under the so-called Hepburn Act has included three especially notable undertakings, during the past few months. An elaborate investigation of the Harriman lines of railway, their control, their financial condition, and the extent to which competition has been eliminated, occupied much of the commission's attention on the investigative side of its functions. In reporting on this question, the commission has published a brief document which will be permanently valuable as a guide to similar inquiry in the future. On the administrative side, the commission has taken most important steps by putting into effect the uniform system of railroad accounting which has long been in process of preparation, and by attempting to prescribe the terms of a uniform bill of lading. In both these matters, the object primarily aimed at has been uniformity of practice. The new accounting system and the orders upon which it is based, issued for the guidance of the railways, seek, however, to introduce some important changes into current modes of accounting. These proposed changes are considered so far reaching that there has been much resistance

on the part of railways which believed their new accounts would be rendered non-comparable with those of former years. In a similar way, the proposed bill of lading suggested by the Interstate Commerce Commission, in an order issued in June, has been unsatisfactory to bankers, who desired it to have the character of a negotiable instrument, and to the railroads which were unwilling to accept the insurance and other provisions incorporated into it. At a notable hearing on October 14, the commission discussed the subject with a number of representatives of industrial interests and is now engaged in redrafting the bill of lading in consequence. Judicially, the commission has been exceptionally busy, and its decisions during the past six months have developed some questionable principles of rate-making. This is notably true in the New England and southern cotton-mill decisions and in the western and Gulf grain-rate orders.

For the coming winter present indications are that the plan of railroad legislation—subject to political exigencies—includes three distinct features: (1) An appropriation for the valuing of all railway property in the United States; (2) The adoption of some measure vesting in the commission power to control the issue of railway securities; (3) Modification of the Sherman Anti-Trust Act, exempting railways from its provisions. In view of the recent development of difficult financial conditions and of uneasiness and distrust among investors, there is much less probability of action upon any of these topics than there was some time ago. The railway question has tended, further, to become entangled with the trust question. Investigations on the part of the attorney-general have led to prosecutions directed against two industrial combinations—the so-called Tobacco Trust and the Powder Trust. In most other cases, however, the studies of the Department of Justice have led to the conclusion that the chief trouble lay in railroad agreements violative of the anti-trust laws but not opposed to public policy as interpreted by the Interstate Commerce Commission and by the President. This has influenced the administration toward the suspension of further prosecutions, in so far as based on railway action pending the passage of legislation of the type desired. The disposition to defer anti-trust prosecutions has been further strengthened by the severe criticism directed against the receivership applications made by the Department of Justice in the cases of the

powder and tobacco combinations, as well as by the general doubt regarding the legality of seizure of trust-made goods in interstate trade—a plan adopted against the Tobacco Trust within the past few weeks. Further action for the repression of industrial combinations seems to be very difficult, in view of the practical failure of the older methods of procedure. This may hasten the enactment of further legislation dealing not only with railways but with corporations in general.